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USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER

E.O. 12356: DECL: OADR
TAGS: ETRD, PHUM, EPET, UR, US
SUBJECT: CODEL FASCELL: MEETING WITH SOVIET MINISTER
-- OF FOREIGN TRADE ARISTOV

SUMMARY

1. CODEL FASCELL MET WITH MINISTER ARISTOV FOR OVER AN HOUR, AND DISCUSSED PROSPECTS FOR U.S.-SOVIET TRADE. CONGRESSMAN FASCELL MADE A FORCEFUL PRESENTATION ON U.S. CONCERNS ON SOVIET EMIGRATION, AND ON THE POLITICAL UNDERPINNINGS OF THE JACKSON-VANIK AMENDMENT AND THEIR RELATION TO ANY IMPROVEMENT IN BILATERAL TRADE. IN RESPONSE, ARISTOV REPEATED STANDARD SOVIET COMPLAINTS ABOUT INTERFERENCE IN SOVIET INTERNAL AFFAIRS BUT DID ALLOW THAT THERE HAD BEEN "CERTAIN, BUT NOT SIGNIFICANT" POSITIVE MOVEMENT ON THE TRADE FRONT.
END SUMMARY

2. THE APRIL 2 MEETING BETWEEN CODEL FASCELL AND SOVIET MINISTER OF FOREIGN TRADE ARISTOV WAS MARKED BY FRANK DISCUSSION, SOME POLEMICS ON ARISTOV'S PART, AND A GENERALLY CORDIAL ATMOSPHERE. IZVESTIYA EDITOR LAPTEV, DEPUTY MINISTER MANZHULO, AND AN INTERPRETER JOINED THE MINISTER, WITH DEPUTY CHIEF OF THE MINISTRY'S AMERICAS DEPARTMENT CHIBIRYOV TAKING NOTES FOR THE SOVIET SIDE. CODEL WAS ACCOMPANIED BY SCO AND ECONOFF. IN HIS OPENING REMARKS, ARISTOV NOTED THAT RECENT GOVERNMENTAL AND BUSINESS CONTACTS HAD GENERATED "SOME MOVEMENT" IN BILATERAL TRADE BUT ADDED THAT, FROM THE SOVIET POINT OF VIEW, THE LEVEL OF SUCH TRADE AND THE "CONDITIONS" UNDER WHICH IT IS CONDUCTED WERE STILL UNSATISFACTORY.

3. COMMENTING FIRST ON THE DIFFICULT SITUATION

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CONFRONTING WORLD TRADE IN GENERAL, CONGRESSMAN FASCELL DESCRIBED EFFORTS OVER THE PAST THREE YEARS TO UPDATE U.S. TRADE LEGISLATION TO ACCOMMODATE RECENT CHANGES IN TRADE, AND TO IMPROVE THE COMPETITIVENESS OF U.S. EXPORTERS. A PASSING REFERENCE BY FASCELL TO THE EFFECT THE FALL IN OIL PRICES HAD ON THE U.S. ECONOMY PROMPTED A QUICK INTERJECTION BY ARISTOV, WHO MAINTAINED THAT THE OIL PRICE DECLINE WAS A "TEMPORARY" PHENOMENON. ACCORDING TO ARISTOV, THE MANY CHANGES IN OIL PRICES IN RECENT MONTHS WOULD BE FOLLOWED BY YET MANY MORE, WITH THE IMPLICATION THAT THE FUTURE TREND WAS UPWARD.

4. IN EXPLAINING THE POLITICAL PROCESS IN THE U.S. AND ITS RELATION TO TRADE POLICY, FASCELL DESCRIBED THE SPECTRUM OF VIEWS IN THE U.S. ON TRADE WITH THE SOVIET UNION AND THE WAY CONGRESS RESPONDS TO THOSE VIEWS. IN GENERAL, FASCELL WENT ON, THE U.S. FAVORED REDUCING BARRIERS TO TRADE AND THERE WERE CLEAR LEGISLATIVE AND ADMINISTRATIVE EFFORTS TO THAT END. AS FOR TRADE WITH THE SOVIET UNION, FASCELL ARGUED THAT POLITICAL CONSIDERATIONS HAD COMPLICATED TRADE ISSUES AND THAT IMPROVED RELATIONS OVERALL WOULD HAVE A BENEFICIAL INFLUENCE ON THE DEVELOPMENT OF BILATERAL TRADE. FASCELL TOLD ARISTOV THAT THE SOONER WE STOPPED PLAYING "POLITICAL PING-PONG," THE QUICKER WE COULD GET THE WORK DONE. HE STRESSED THE NEED TO GET TO THE POINT WHERE WE CAN ELIMINATE THE BARRIERS THAT EXIST.

5. ONE KEY POLITICAL OBSTACLE AROSE, NOT FROM THE DIRECT CONCERNS OF CONGRESS OR THE ADMINISTRATION, BUT RATHER, ENSUING FROM THE CONCERNS OF AVERAGE CITIZENS IN THE U.S. WHO DO NOT UNDERSTAND THE SOVIET SYSTEM, SOVIET LAWS OR THE ADMINISTRATION OF SOVIET LAWS, FASCELL ASSERTED. CASES WHERE SPOUSES OF U.S. CITIZENS FAIL TO RECEIVE EXIT PERMISSIONS OR WHERE SOVIET CITIZENS ARE DENIED PERMISSION FOR EMIGRATION TO ISRAEL, SUCH AS HAPPENED TO IDA NUDEL, GENERATE CONCERN AMONG CONSTITUENTS AND CREATE PRESSURE IN CONGRESS AGAINST LEGISLATIVE ACTION IN THE BILATERAL TRADE AREA. SUCH PROBLEMS, CONCLUDED FASCELL, HINDER CONGRESS "FROM GETTING DOWN TO BUSINESS" ON THE TRADE FRONT. FASCELL MENTIONED THE STEVENSON AMENDMENT WITH RESPECT TO THESE CONCERNS.

6. IN RESPONSE, ARISTOV VIGOROUSLY CRITICIZED THE JACKSON-VANIK AMENDMENT AND OTHER UNSPECIFIED BARRIERS TO TRADE. (NOTE: ARISTOV INITIALLY SEEMED UNAWARE OF THE STEVENSON AMENDMENT'S 300 MILLION USD LIMIT ON C O N F I D E N T I A L SECTION 02 OF 03 MOSCOW 05991

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EXIMBANK EXPOSURE TO THE SOVIET UNION, WHICH FASCELL MENTIONED IN PASSING IN HIS REMARKS. DEPUTY MINISTER MANZHULO QUICKLY STEPPED IN TO EXPLAIN TO ARISTOV THE AMENDMENT'S SUBSTANCE.) ARISTOV THEN OFFERED THE NOW-FAMILIAR SOVIET PRESENTATION, CAST IN TERMS OF HIS PERSONAL VIEWS, CHALLENGING U.S. EFFORTS TO AFFECT SOVIET LAWS AND PRACTICE. THE U.S. APPROACH, IN ARISTOV'S VIEW, ENJOYED "NO PROSPECT" GIVEN THE NATURE OF THE SOVIET SYSTEM AND ITS FUNDAMENTAL STRENGTH. THE ABSENCE OF MFN TREATMENT FOR THE SOVIET UNION WAS CLEARLY DISCRIMINATORY AND A BARRIER TO TRADE. ARISTOV CONCLUDED BY COMPLAINING ABOUT U.S. TARIFFS ON SOVIET EXPORTS (AT A LEVEL OF 20 PERCENT, ACCORDING TO ARISTOV) AND

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BY ARGUING THE FAILURE OF THE U.S. FIRMS TO HONOR
CONTRACTS HAD CAUSED SOVIET FTO'S TO VIEW U.S. FIRMS
AS UNRELIABLE PARTNERS.

7. CHANGING TONE, ARISTOV ALLOWED THAT THE DECEMBER
USTEC MEETING HAD BEGUN A DIALOGUE ON TRADE PROPOSALS,
WITH SOME PROSPECTS FOR SPECIFIC CONTRACTS. ARISTOV
LAUDED THE OCCIDENTAL LONG-TERM COMPENSATION DEAL -- U.S.
SUPER-PHOSPHORIC ACID FOR SOVIET AMMONIA, UREA
AND POTASH -- AS A GOOD EXAMPLE OF TRADE FOR MUTUAL
BENEFIT. AGREEING THAT TRADE IS A TWO-WAY STREET, BOTH
FASCELL AND ARISTOV DECLARED THEMSELVES IN FAVOR OF AN
"EQUAL" REGIME TO REFLECT MUTUAL INTERESTS IN TRADE.

8. PERCEIVING ARISTOV'S DISINCLINATION TO ACCEPT THE
NEED TO ADDRESS THE POLITICAL AND HUMAN PROBLEMS IN
ORDER "TO GET DOWN TO BUSINESS," FASCELL TOLD ARISTOV
THAT HE WAS NOT SUGGESTING LINKAGE BUT THAT HE WAS
SPEAKING OF THE POLITICAL FACTS OF LIFE -- THE ISSUES
ARE ALL IN THE "SAME FRUIT BOWL" AND CAN'T BE
SEPARATED. FASCELL CONTINUED THAT HE WOULD TELL PRESIDENT
REAGAN OF ARISTOV'S INTEREST IN EQUAL TREATMENT AND
CONTRACT SANCTITY IN TRADE, BUT THAT POLITICALLY "WE'RE
A LONG WAY FROM GETTING ANYTHING DECIDED." NOTING
DIFFICULTIES IN RESOLVING REGIONAL DISPUTES AND FAMILY
MATTERS. FASCELL EMPHASIZED THE NEED "TO PUT OUR HEADS
TOGETHER AND ELIMINATE THOSE AREAS WHERE THERE IS
POTENTIAL CONFLICT" AND THE NEED TO DISCUSS THESE
PROBLEMS "WITHOUT SENSITIVITIES."

9. CONGRESSMAN FASCELL'S REMINDER THAT THE U.S.
WOULD CONTINUE TO WORK FOR A RESOLUTION OF THE POLITICAL
OBSTACLES HINDERING TRADE LED ARISTOV TO EXPOUND ON THE
STRIDES THE SOVIET UNION MADE IN DEVELOPING ITS OWN
LARGE COMPRESSORS AND COMPONENT TURBINES FOR THE URENGOY
GAS PIPELINE AFTER THE U.S. 1981 TRADE EMBARGO. ARISTOV
RECALLED HIS TRAINING AS AN ENGINEER, AND HIS ROLE IN
THE EARLY 1980'S IN THE LENINGRAD PARTY ORGANIZATION WHEN
THE LENINGRAD NEVSKIY WORKS REDOUBLED ITS EFFORTS TO
PRODUCE THE NECESSARY COMPRESSORS FOR THE URENGOY LINE.
WORKING "DAY AND NIGHT" UNDER THE RUBRIC "OUR ANSWER TO
REAGAN." THE RESULT, ASSERTED ARISTOV, WAS A NET
R AND D GAIN FOR THE SOVIETS.

10. IN CLOSING THE MEETING, CONGRESSMAN BROOMFIELD
SPOKE OF THE PRINCIPLE OF A BIPARTISAN AMERICAN FOREIGN
POLICY AND ARGUED FOR REGULAR SUMMIT MEETINGS BETWEEN
THE U.S. AND THE SOVIET UNION TO PROMOTE FURTHER DIALOGUE
ON IMPORTANT ISSUES. ARISTOV PRESSED FOR THE U.S. TO
JOIN THE SOVIET UNION IN MAKING A UNILATERAL DECISION
TO STOP NUCLEAR WEAPONS TESTING. FASCELL REJOINED
THAT HE HAD MADE A COUNTERPROPOSAL AND RECEIVED NO
ANSWER.

11. ARISTOV, OBVIOUSLY FEELING A NEED TO BALANCE
THE POLITICAL DISCUSSION WITH FURTHER MENTION OF TRADE
RELATIONS. SUMMED UP AGAIN THE SOVIET VIEW THAT THE
SOVIETS SEE SOME MOVEMENT ON THE TRADE FRONT. THAT TRADE
CONTACTS ARE "NOT BAD," AND THAT HE WAS LOOKING FORWARD
TO CO-CHAIRING WITH SECRETARY OF COMMERCE BALDRIGE THE
INTER-GOVERNMENTAL JOINT COMMERCIAL COMMISSION AND
ATTENDING THE ANNUAL US EC MEETINGS, WHICH HE SAID WOULD
LIKELY BE HELD SEQUENTIALLY IN WASHINGTON LATE THIS YEAR.
FASCELL SAID THAT THERE WAS A REAL EFFORT ON THE U.S.
SIDE TO REMOVE TRADE OBSTACLES, AND THAT HE WOULD SPEAK
WITH PRESIDENT REAGAN AND SECRETARY BALDRIGE TO BEGIN
WORKING ON THESE PRIOR TO THE TRADE MEETINGS.

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12. BIO NOTE: ARISTOV CONDUCTED HIMSELF WITH CONFIDENCE, RELYING ON WHAT APPEARED TO BE HIS OWN HANDWRITTEN NOTES. ARISTOV'S FAILURE TO REMEMBER THE SUBSTANCE OF THE STEVENSON AMENDMENT MAY WELL HAVE BEEN MERELY A MINOR SLIP; ONCE PROMPTED BY MANZHULO, ARISTOV SEEMED TO UNDERSTAND. WITH A REMARK TO THE EFFECT THAT IT REPRESENTED A SECONDARY OBSTACLE AFTER JACKSON-VANIK. HE MADE SEVERAL REFERENCES TO HIS TRAINING AS AN ENGINEER AND HIS EXPERIENCE IN INDUSTRIAL AFFAIRS AND APPEARED TO TAKE SPECIAL PRIDE IN BEING A "PRACTICAL" MAN. HE SPOKE RAPIDLY; YET CONCISELY, THROUGHOUT THE MEETING, WITH HIS INTERPRETER HARD-PRESSED TO KEEP UP. HARTMAN

END OF MESSAGE

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